



Department of Justice

UNITED STATES ATTORNEY ALICE H. MARTIN
NORTHERN DISTRICT OF ALABAMA

FOR IMMEDIATE RELEASE

JANUARY 24, 2008

www.usdoj.gov/usao/aln

**CONTACT: J
ELLIS**

PHONE: (205)

FAX: (205) 24

FORMER ALABAMA POSTSECONDARY CHANCELLOR AGREES TO PLED GUILTY & FORFEIT \$18,206,485.97 BEGINS COOPERATION WITH GOVERNMENT

BIRMINGHAM, AL - A fifteen-count criminal Information was filed today in U.S. District Court charging **ROY W. JOHNSON, JR.**, age 62, of Opelika, Alabama, with conspiracy, bribery, obstruction of justice, and money laundering while he served as Chancellor of the State of Alabama's Department of Postsecondary Education. A Plea Agreement was also filed today in which he agrees to plead guilty to all charges, and cooperate in the on-going state and federal investigation. Appearance dates will be set by the Court. He has also agreed to plead guilty to a state ethics felony violation at a later date.

"Johnson used his position as Chancellor to build a power pyramid on a foundation of corruption," said U. S. Attorney Alice H. Martin. "Businesses greased his palms and made millions off lucrative state contracts he influenced. Today the pyramid has collapsed, and those who helped build it will feel the impact."

"Public officials are appointed to serve the public, not exploit their positions for private gain. Somewhere along the way Roy Johnson traded in the honor of serving the citizens and the State of Alabama for an almighty dollar in fact, millions of them," stated Richard Minor, Acting Alabama Attorney General. "With today's announcement we continue the process of exposing the public corruption and fraudulent schemes orchestrated by Roy Johnson and others."

JOHNSON served as Chancellor of Postsecondary from 2002 until 2006. He functioned as the chief executive officer with the authority and responsibility for the operation, maintenance, management, improvement, and enlargement of the Department of Postsecondary and its subordinate institutions, the 27 two-year colleges and technical colleges located throughout the State of Alabama, (Postsecondary). The Information charges six separate conspiracies, with various business owners, who did business with Postsecondary from July 2002 through July 2006.

Conspiracy with HAYES/ACCESS/HIGGINS:

Counts 1 and 2 charge **JOHNSON** with Conspiracy to Commit Bribery and Bribery, surrounding business transactions with JAMES WINSTON HAYES, the founder and owner of ACCESS Group Software (ACCESS) and LANIER ROBERT HIGGINS, Johnson's former driver. From July 2002 until July 2006, ACCESS sold software totaling more than \$14 million to over 25 community colleges and technical schools in Postsecondary. ACCESS realized a profit of approximately \$5 million. To buy **JOHNSON'S** influence and facilitate continued receipt of Postsecondary business, HAYES gave **JOHNSON** things of value including, but not limited to:

1. \$122,400 in construction costs on his Opelika home
2. \$23,850 for a sound system in his Opelika home
3. \$55,000 paid to his son-in-law
4. a \$25,793.40 job with ACCESS for his daughter for part-time GED grading
5. \$24,418.93 paid to the Retirement Systems of Alabama on behalf of the Southern Union Dean of Nursing

1. In his signed Plea Agreement **JOHNSON** admits that he used his official position as Chancellor over various college presidents to recommend, suggest, and direct that they purchase ACCESS products. Where Postsecondary employees thought ACCESS was an inferior product, **JOHNSON** would use his official position to intimidate the employees. He also used his official position to direct discretionary funds to colleges to fund projects for ACCESS.

- 2.
3. Count 3 charges that from April 2004 to September 2004, **JOHNSON** conspired with HAYES and HIGGINS to commit money laundering. Specifically, **JOHNSON**, while soliciting bribes from HAYES and ACCESS, attempted to conceal the bribes by having HIGGINS create a fictitious business consulting entity - "Higgins Consulting" - which submitted false invoices to ACCESS. Bribe money paid to the consulting entity was then used to pay construction costs on **JOHNSON'S** Opelika home

- 4.
5. HAYES and ACCESS of Walker County, Alabama, were previously charged on December 26, 2007, with bribery and conspiracy to commit money laundering. HAYES has agreed to plead guilty and is cooperating in the investigation. HIGGINS, 50, of Wedowee, Alabama, was previously charged on December 19, 2007, with obstruction of a grand jury proceeding and has plead guilty. HIGGINS' sentencing is set for March 19, 2008.

- 6.
7. **Conspiracy with TURNHAM/ALABAMA CONTRACT SALES, INC**
- 8.

1. Counts 4 and 5 charge **JOHNSON** with Conspiracy to Commit Bribery, and Bribery, in connection with business transactions involving TIMOTHY TURNHAM, an owner and vice-president of ALABAMA CONTRACT SALES, INC. (hereinafter ACS), located in Opelika, Alabama. ACS sold furnishings, mass seatings, and equipment to Postsecondary. From July 2002 until July 2006, ACS did in excess of \$9 million business with Postsecondary, with a resulting profit of approximately \$ 894,674.18. To buy **JOHNSON'S** influence and facilitate continued receipt of Postsecondary business TURNHAM gave **JOHNSON** things of value including, but not limited to:

- 2.
3. \$16,000+ window treatments (shutters) for his Opelika home
4. \$7,000+ in interior decorating services, wall coverings, etc.

5. \$3,500+ in furniture
6. \$8,000+ in goods and services (wallpaper, etc) for JOHNSON's Gulf Shores condominium
7. \$1,900+ in goods and services for JOHNSON's Tennessee mountain condominium
8. \$4,000 for JOHNSON's son
9. \$4,000 for JOHNSON's driver/assistant
10. \$7,500 paid by ACS to a Political Action Committee for a subsequent political contribution delivered by JOHNSON to an Alabama State Board of Education board member who was running for Mayor of Huntsville
11. \$3,600+ goods and services for a friend's North Carolina mountain condominium

1. In exchange, **JOHNSON** used his official position as Chancellor to request/direct college presidents to do business with ACS, and to direct discretionary funds to colleges to fund projects where ACS was a supplier or subcontractor. At **JOHNSON's** instruction, TURNHAM would roll the cost of many of the bribes into invoices paid by the State of Alabama.

2.

3. Count 6 charges **JOHNSON** with Obstruction of an Official Proceeding as a result of a July 2006 meeting he had with TURNHAM in Lee County, Alabama. After **JOHNSON** was removed as Chancellor in the summer of 2006, and the federal investigation into bribery was known, **JOHNSON** and TURNHAM met to discuss and agreed that TURNHAM would create false documents to make it appear **JOHNSON** had paid ACS for work done on **JOHNSON's** home, in order to attempt to hide the bribe payments.

4.

5. TURNHAM, 57, of Opelika, Alabama, was charged on May 29, 2007, with Obstruction of Justice. He has agreed to plead guilty. ACS entered a Non-Prosecution Agreement with the U.S. Attorney's Office in May of 2007, and agreed to reimburse the State of Alabama \$894,674, i.e. profit ACS received from Postsecondary jobs from July 2002 through July 2006, and to be barred from doing business with Postsecondary for two years. To date, ACS has reimbursed the State of Alabama approximately \$300,000.

6.

7. **Conspiracy with SENIOR ARCHITECT**

8.

9. Counts 7 and 8 charge **JOHNSON** with Conspiracy to Commit Bribery, and Bribery, surrounding business transactions with "Senior Architect," an owner/director of an architectural firm located in Calhoun County. From July 2002 through July 2006, "Senior Architect's" firm sold architectural services to Postsecondary totaling \$5,750,759.16. To buy influence with **JOHNSON** and facilitate continued receipt of Postsecondary business, "Senior Architect" gave **JOHNSON** things of value including, but not limited to:

10.

11. free architectural services on his Opelika home valued at approximately \$24,000
12. approximately \$21,368.60 for fireplaces for his Opelika home
13. paid \$30,000 to a family member in "income" where services were not performed

1. During this conspiracy **JOHNSON** and "Senior Architect," with knowledge of the federal investigation, attempted to conceal the bribes by creating false documents which showed the architectural firm intended to charge **JOHNSON** for the goods and services.

2.

3. An example of **JOHNSON'S** influence, outlined in the plea agreement, was that "Senior Architect's" firm, doing business as another company, executed a lease-purchase agreement with Lawson State Community College for construction of a dormitory. Under that agreement,

Lawson State paid approximately 3 percentage points more in interest than it would have paid under a traditional bond issue. **JOHNSON** directed that Lawson State use “Senior Architects” firm, and that the college suspend its plans to issue a bond to finance the dormitory construction. The monthly payment by Lawson State to the company was approximately \$43,000.

4.

5. Count 9 charges **JOHNSON** with witness tampering in connection with testimony Julian Jenkins, of Lee County, Alabama, gave before a federal grand jury in 2006.

6.

7.

Conspiracy with CONSTRUCTION MANAGER

8.

9.

Counts 10 and 11 charge **JOHNSON** with Conspiracy to Commit Bribery and Bribery, surrounding business transactions with “Construction Manager,” an owner of a construction firm located in Tuscaloosa County, Alabama, that did business with Postsecondary. “Construction Manager” provided construction and construction management services to Postsecondary, from July 2002 through July 2006, which totaled \$4,438,955,67. To buy **JOHNSON’S** influence, and to ensure continued receipt of Postsecondary business “Construction Manager” gave **JOHNSON** things of value including, but not limited to:

10.

11. \$55,101.04 to Brian Stephens Construction Company for construction on his Opelika home

12. \$19,981.33 to Builders Millwork for doors/windows in his Opelika home

13. \$17,203.68 to Cohens Electronics for appliances installed at him Opelika home

14. \$4,000 to Johnson’s son

1. **JOHNSON** hid the bribes by having Stephens Construction invoice the “Construction Manager’s” Firm in Tuscaloosa for the Opelika house construction work, rather than billing **JOHNSON** directly. “Construction Manager” further instructed Stephens Construction to falsely annotate its invoices, so the bribes could be written off as business related to a project for the University of Alabama. After learning of the federal investigation **JOHNSON** requested “Construction Manager” to create a fake loan document to support the false story that **JOHNSON** intended to pay for the services.

2.

3.

Conspiracy at ALABAMA FIRE COLLEGE

4.

5.

Count 12 charges **JOHNSON** with Conspiracy to Commit Fraud with theft of Federal Program Funds from the Alabama Fire College. This conspiracy occurred from January 1998 until June 2006 in Tuscaloosa County. **JOHNSON’S** plea agreement admits that he conspired and agreed with the Alabama Fire College Executive Director for **JOHNSON’S** relatives to obtain employment contracts and letters of appointment at the Alabama Fire College and other Postsecondary institutions without being required to provide services for the value of compensation received. Specifically, these fraudulent employment agreements involved **JOHNSON’S** daughter-in-law at Southern Union, and his daughter and son at the Alabama Fire College.

6.

7.

The former Alabama Fire College Executive Director, William Luther Langston, 65, of Tuscaloosa, was indicted on May 22, 2007, in a 37-count indictment charging him with mail fraud, wire fraud, conspiracy, money laundering conspiracy, and theft from an organization receiving federal funds. The indictment was filed May 22, 2007. That indictment also seeks criminal forfeiture of over \$1.5 million. This case is currently set for trial February 12, 2008.

8.
9. In a related plea arising out of the Alabama Fire College investigation, Robert Nix, 69, of Northport, plead guilty to three federal felony counts involving abuse of public funds related to the Alabama Fire College. He was sentenced on December 6, 2007, to 31 months in prison and ordered to forfeit \$328,000. Nix was a former member of Alabama Fire Fighter's Personnel Standards and training commission and a former member of the Board of the Fire College Foundation and its treasurer. He will report to prison April 1, 2008.

10.
11. In a related trial arising out of the Alabama Fire College investigation, Doris Gail Phillips, 58, and her daughter, Melinda Gail Phillips Sexton, 31, both of Northport, were convicted at trial of conspiracy and theft from an organization receiving federal funds. Both had been employees of the State of Alabama, working at the Alabama Fire College in Tuscaloosa. At their September 11, 2007, sentencing, Sexton received three years probation, including 6 months of home detention, and Phillips was ordered to serve 15 months in federal prison. They were ordered to pay \$47,000 in restitution.

12.
13. **Conspiracy with CLOSE ASSOCIATE/REPRESENTATIVE**
14.

15. Counts 13 and 14 charge **JOHNSON** with Conspiracy to Commit Bribery, and Bribery, in connection with business between **JOHNSON** and Close Associate/Representative ("CloRep"), a retired employee of Southern Union Community College in Opelika, Alabama. From July 2002 until July 2006 various contractors employed CloRep to assist in obtaining business and completing projects with Postsecondary. **JOHNSON** used his official position to empower CloRep and made it clear that CloRep spoke and acted on **JOHNSON'S** behalf. **JOHNSON** directed that College Presidents use CloRep's services, and through these relationships CloRep's compensation totaled approximately \$1,766,335.88. Examples of **JOHNSON'S** facilitating CloRep's "consulting services" with Postsecondary include: July 2002 directive to the President of Snead State Community College to contract with CloRep; September 2002 directive to the Interim President of Wallace State Community College to contract with CloRep; and May 2005 directive to the President of JF Ingram State Technical College to contract with CloRep. During the conspiracy, CloRep paid **JOHNSON** \$100,000, in annual cash payments of \$20,000, to buy his influence.

16.
17. Count 15 seeks Criminal Forfeiture of \$18,206,485.97, which represents direct and indirect benefits **JOHNSON** received, either personally or as benefits to his children, along with the home located at 2106 Sanders Creek Drive in Opelika, Alabama.

18.
19. In his Plea Agreement, **JOHNSON** admitted using his official position to assist relatives of Members of the State Board of Education obtain employment with Postsecondary; to provide secret political support to Board Members by directing money and other campaign assistance to them; and to using his position to secure and retain employment for State of Alabama Legislators within the State of Alabama's Department of Postsecondary Education.

20.
21. "Taxpayers must wonder how many more Alabama students could have been educated had money not been wasted on fraud and salaries of non-performing 'employees'" added U. S. Attorney Alice H. Martin. "We intend to answer that question."

22.
23. "The citizens of North Alabama should rest assured that the FBI and our partners will continue to hold accountable those who violate the public's trust and we will continue to aggressively pursue those individuals who use their position for personal gain," stated Carmen S. Adams, Special Agent in Charge, Federal Bureau of Investigation.

- 24.
25. "This ongoing investigation demonstrates that IRS Criminal Investigations and its law enforcement partners will not rest until the corruption that spread throughout the Alabama Department of Postsecondary Education has been extinguished," said Jeannine Hammett, Acting Special Agent in Charge, Internal Revenue Service, Atlanta Field Office.
- 26.
27. The maximum penalty for conspiracy is five years in prison, a fine of \$250,000, or both for each count charging conspiracy. The maximum penalty for bribery is 10 years in prison, a fine of \$250,000, or both for each count charged. The maximum penalty for obstruction of justice is 20 years in prison, a fine of \$250,000, or both. The maximum penalty for money laundering conspiracy is 10 years in prison, a fine of \$250,000 or both.
- 28.
29. This matter was investigated by the North Alabama Public Corruption Task Force, which includes the United States Attorney's Office, the Alabama Attorney General's Office, Acting Alabama Attorney General Richard Minor, the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigations, and the United States Postal Inspection Service. Post-Secondary Education Task Force Director Matt Hart, and Special Assistant United States Attorney Bill Lisenby with the Alabama Attorney General's Office, are lead attorneys on behalf of the U.S. Government for the prosecution of this matter.
- 30.
31. A copy of this press release may be found on the Web site of the U.S. Attorney's Office for the Northern District of Alabama, www.usdoj.gov/usao/aln. Related court documents maybe also be found on the Web site of the U.S. District Court for the Northern District of Alabama at <http://www.alnd.uscourts.gov/>
- 32.
- 33.
- 34.

#

- END -